

Approved For Release 2002/08/12 : CIA-RDP66B00728R000400070038-8

**SPECIAL HANDLING**

A.A.O. 9094

10/24/63

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The following specific cost centers should be established:

- .01 All costs related to legal and contract analyses of the proposed settlement claim. This number is for the use of the Contracts Management Department only.
- .02 To collect all costs related to the preparation and cost review of our proposed settlement claim. This number is for the use of the Accounting Department only.
- .03 To collect all costs related to the termination and settlement of subcontracts, only to the extent necessary for the preparation and presentation of settlement proposals and costs evidenced in connection therewith, i.e., subcontractor's settlement expenses, if any, only. This number is for the use of the Materiel Division only.
- .04 All costs for storage, transportation and travel related to the settlement claim, protection (guards and card keys), and disposition of residual terminated inventory.
- .05 Vidya Division expenses to include all costs in sub-projects .01 through .04 above.

**NOTE:** All charges to this project must be documented in the same manner as charges to Project 9093.

#### Accounting Instructions

All costs will be accumulated under the above project and transferred monthly to unbilled costs. These costs cannot be billed until the submission of our final settlement proposal relating to the termination.

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ATTACHMENT C

PERCENTAGE COMPLETION ANALYSIS

BT-1943

In accordance with the requirements of the contract, it is necessary to determine the physical as well as the fiscal percentage completion for the Contract. Recognizing that the partial termination of this contract left us essentially complete, it appeared most reasonable to identify the work terminated, assign a value to it, subtract the value from the total value of the work that was to have been performed and thereby determine the percentage completion.

STATINTL

The enclosures to this attachment show how these calculations were performed. For the calculation of earned fee, it becomes necessary to remove the Non-Fee-Bearing Actual Costs. Then, by comparison of the Adjusted Fee-Bearing Target Costs with the Adjusted Fee-Bearing Actual Costs (Exhibit A), the difference for the application of the incentive formula can be derived. The incentive fee effect can be readily determined by taking 20% of that difference. The target fee for this contract   is then calculated from our Adjusted Fee-Bearing Actual Costs. To this number the incentive fee effect is then added to determine the total fee earned.

The Adjusted Fee-Bearing Target Cost is determined first by analyzing Exhibit B to the attachment. This page reconstructs the total estimated cost, target fee, and CPIF value as shown in the contract through Amendment No. 3. As you will recall, on 9 December 1963, we negotiated several outstanding changes-of-scope in order to determine what the value of the contract should be to represent the total amount of work that was to have been performed. This then establishes the Total Estimated Cost figure from which the Non-Fee-Bearing Costs as well as the value of the work not performed may be subtracted. Exhibit C of this attachment identifies the work areas not completed and attaches the associated dollars which represent the value of that work not completed. These costs are then subtracted from the total contract fee base which is developed in Exhibit D and derives the Adjusted Fee-Bearing Target Cost which is then entered as Item I on the Summary Statement of Earned Fee.

Exhibit D again reconstructs the total cost base of the contract less the Non-Fee-Bearing Costs which are identified by each negotiation preceding the contractual documents. You will see that the Non-Fee-Bearing Costs for this contract were all contained in the original contract negotiation. The four (4) pages in Exhibit E detail, in cost summary form, the manner in which we derived our estimate for the value of the work not performed. The total cost of each page is identified with their titles in Item II of Exhibit C. The sum of these, therefore, represent the credit to be given the Total Contract Fee Base in Exhibit C and Adjusted Fee-Bearing Target Cost. Returning to the Summary Statement, Item II, Adjusted Fee-Bearing Actual Costs are brought forward from

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15 July 1964

ATTACHMENT C

Item III of Exhibit F. In this instance we have determined our "actual" cost by using our book direct labor and material expenses plus the reserve for outstanding commitments. To these numbers are applied our Estimated Recoverable Rates. (Exhibit C shows the analysis by fiscal year which derives the totals by category which are brought forward to Item I and II of Exhibit F.)

On the Summary Sheet, since the Adjusted Fee-Bearing Target Costs are greater than the Fee-Bearing Actual Costs, a positive difference for application of the incentive formula is developed. Twenty per cent (20%) of the difference is determined and added to the Target Fee to derive the Total Fee Earned as shown. Our fee invoice for this contract is then determined by taking this amount and subtracting the fee paid to date.

The physical percentage completion of the contract can then be derived by determining the per cent our total "actuals" are of the total contract value. From each of these numbers the value of the two (2) material transfers has been subtracted prior to the calculation. This contract is, therefore, 97% complete.

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W.A.O. 9093

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2. All personnel who previously charged indirect departments or accounts while projects 9040 and 9045 were active shall continue to charge indirect departments or accounts.
3. All expenses that would have been considered direct or indirect had 9040 and 9045 been brought to their logical conclusion shall be similarly charged while projects 9093 and 9094 are active.
4. Subcontracts:- In the settlement of all subcontract claims:
  - a. The monies claimed by subcontractors for actual work performed prior to 25 October 1963 shall be charged to the original 9040/9045 appropriate accounts as indicated on the purchase order.
  - b. Any termination costs, settlement expenses or cancellation charges, claimed by subcontractors shall be charged to Project 9093.56.
  - c. Purchasing shall terminate all subcontractors with the exception of Schott.
5. All inventory located at subcontractors' plants shall be held pending further instructions.
6. No overtime will be approved or expended against this project number.
7. Any time sheets or cards submitted to payroll containing charges against this project number shall contain on the reverse side brief descriptions of the work performed during the hours indicated.
8. A change notice shall be issued to this Project W.A.O. upon receipt of further instructions from the Contracting Officer.